

BRYAN CAVE LLP

Stephanie Wickowski
Michelle McMahon
1290 Avenue of the Americas
New York, New York 10104
(212) 541-2000
Stephanie.wickowski@bryancave.com
Michelle.mcmahon@bryancave.com

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

	x	
In re	:	Chapter 11
	:	
PRIMORSK INTERNATIONAL SHIPPING	:	Case No. 16-10073 (MG)
LIMITED, <i>et al.</i> , ¹	:	
	:	Jointly Administered
	:	
Debtors.	:	
	x	

DECLARATION OF SERGEY POPRAVKO

I, Sergey Popravko, under penalty of perjury, declare and state as follows:

1. I am the member of the Board of Directors of and also the Managing Director – Technical Director of SCF Management Services (Dubai) Limited (“SCF Management Dubai”). I am also the Managing Director of SCF Management Services (Cyprus) Limited, f/k/a Unicom Management Services (Cyprus) Limited (“SCF Management Cyprus” and together with SCF Management Dubai, “SCF Management”). SCF Management Dubai and SCF Management

¹ The Debtors in these chapter 11 cases and, if applicable, the last four digits of their U.S. taxpayer identification numbers are: Primorsk International Shipping Limited (Cyprus), Boussol Shipping Limited (Cyprus) (6402) – m/t “Zaliv Amerika”, Malthus Navigation Limited (Cyprus) (6401) – m/t “Zaliv Amurskiy”, Jixandra Shipping Limited (Cyprus) (6168) – m/t “Prisco Alexandra”, Levasser Navigation Limited (Cyprus) (0605) – m/t “Prisco Ekaterina”, Hermine Shipping Limited (Cyprus) (0596) – m/t “Prisco Irina”, Laperouse Shipping Limited (Cyprus) (0603) – m/t “Prisco Elizaveta”, Prylotina Shipping Limited (Cyprus) (6085) – m/t “Prisco Elena”, Baikal Shipping Ltd (Liberia) (6592) – m/t “Zaliv Baikal” and Vostok Navigation Ltd (Liberia) (1745) – m/t “Zaliv Vostok”.

Cyprus are the separate legal entities but operate under the common integrated Safety Management System (the “SMS”),² which is certified in accordance with all statutory requirements. In accordance with ISM Code, SCF Management Dubai is issued with the Documents of Compliance (“DOCs”) by maritime administrations of the following states: Cyprus, Malta, Liberia, Marshall Islands, Panama and Singapore. SCF Management Cyprus in its turn is designated in all respective DOCs as a Cypriot based branch office of SCF Management Dubai.

2. I have personal knowledge of the facts stated herein, or have obtained such knowledge by discussions with other employees of SCF Management with personal knowledge or by my review of company records which are true and correct and which are maintained in the ordinary course of business by SCF Management by persons with knowledge of the information recorded therein. I submit this declaration in support of the Notice of Proposed Assumption and Assignment to Myrtle Marine Incorporated of a Time Charter [Doc. No. 256] and the Response Of Myrtle Marine Incorporated To Objection Of Tesoro Far East Maritime Company To Assumption And Assignment Of Charter Party And In Support Of Proposed Assumption And Assignment (the “Response”), filed contemporaneously herewith, and in response to the Objection Of Tesoro Far East Maritime Company To Assumption And Assignment Of Charter Party [Doc. No. 258] (The “Objection”). Capitalized terms not otherwise defined herein shall have the meaning set forth in the Response.

3. I am the most senior person at SCF Management responsible for technical management of vessels. I graduated from the Far East Higher Engineering Marine School

² Safety Management System (SMS) – is an organized system of the policies, practices, and procedures that are to be followed by the crews onboard and the shore operating personnel to ensure safe functioning of ships at sea. The legislative requirement for SMS is laid down in the International Safety Management Code (“ISM Code”) which have been incorporated as chapter IX of the International Maritime Organization’s (“IMO”) International Convention for the Safety of Life at Sea (“SOLAS”).

(Vladivostok, Russia) with a major in maritime navigation and from the World Maritime University (Malmoe, Sweden) with a master of science in technical management of shipping companies. I have worked in the maritime industry for more than 32 years, including several positions with Prisco and the Debtors:

- From 1984 – 1992, I worked for Primorsk Shipping Company (Nakhodka, Russia) (the “Prisco Russia”), starting as an able seaman and was promoted to deck officer, chief officer, and finally master on the vessels of the company;
- From 1994 – 1997, I was the manager of the Chartering Department of Prisco Russia and Sinchart Shipping Pte., Ltd (Singapore);
- From 1997 – 2001, I was the Fleet Director, responsible for Fleet Operations and Management of Prisco’s fleet;
- From 2001 – 2004, I was the First Vice-President of Prisco Russia; and
- From 2004 – 2005, I was President and CEO of Prisco Russia.

In June of 2005 I began working for OAO “Sovcomflot” and its various subsidiaries (SCF Group) and currently hold the following positions:

- From June 2005 – November 2005, Executive Vice-President & COO of OAO “Sovcomflot”;
- From November 2005 – May 2011, Managing Director of UNICOM Management Services (Cyprus) Ltd., Executive Board Member of OAO “Sovcomflot”;
- From May 2011 – January 2012, Senior Executive Vice-President, Executive Board Member of OAO “Sovcomflot”; and
- Since January 2012, Managing Director of SCF Management Cyprus, Executive Board Member of OAO “Sovcomflot”.

4. Sovcomflot (SCF Group) is one of the world’s largest energy shipping companies, providing a range of seaborne energy solutions, and is one of the leaders in the Arctic shuttle tanker owners/operators and ice-class tanker owner/operator.

5. Sovcomflot’s fleet (owned & chartered) specializes in hydrocarbon transportation from regions with challenging icy conditions and includes 148 vessels of different types with a

combined deadweight of 12,806,978 tons with the average age of 7 years. Sovcomflot's unique engineering solutions and unrivalled range of the very latest technologies, chiefly for undertaking shipments in extreme climatic conditions, allow it to satisfy the most complex requirements of its clients, and provide them with reliable and effective transportation services.

6. All vessels are managed by SCF Management, an integrated in-house commercial, technical and project manager, through its seven offices around the globe allowing first-class management of a time charter portfolio that is collectively up to 35% of the TCE (time charter equivalent) revenue by contract type for industrial time charters and up to 35% for conventional time charters.

7. SCF Management operates under an SMS that complies with the ISM Code, ISO 9001 and ISO 14001 and works towards continual improvement in HSSE performance:

- There were no spills recorded in 2015;
- No PSC (Port State Control) detentions in 2015;
- Average reported observations per ship inspection (SIRE) are 2.9 reduced by more than half since 2010 (5.4); and
- Injury frequency (LTIF*) of 0.42 is now about 2 times lower than industry average (1.0**).

8. Sovcomflot has 25 years of experience of successful management of owned and chartered fleet of tanker vessels of various sizes. As of today Sovcomflot operates 119 tanker vessels, including 41 Aframaxes (which makes it the world's largest owner of crude Aframaxes based on DWT capacity), which are similar to the M.T. Zaliv Amerika (the "Vessel"). These vessels are currently managed through SCF Management and its branch offices. Information regarding SCF Management, including SCF Management Cyprus, was provided to Tesoro in August 2016.

9. SCF has top of the industry competence in operating vessels in harsh environments, such as those in the North Pacific and the Cook Inlet off the coast of Alaska.

Almost 50% of SCF's fleet is the ice-classed vessels; SCF is the largest owner of ice-classed tankers based on metric tons³ deadweight and the largest operator of Arctic shuttle tankers. SCF's large-capacity "Suezmax" tanker, Vladimir Tikhonov, set a precedent in maritime history in 2011 for the ships of this size, namely over 160,000 tons deadweight (ice-class 1A), by completing the transportation of a full consignment of the gas condensate cargo using Northern Sea Route from Europe to Asia through the Arctic.⁴ In addition to its conventional fleet of tankers, SCF runs the ice-breaking supply and support vessels and ice-class tankers deployed on various industrial projects above the polar circle and in other icy locations (for example, Ob Bay and Sakhalin Island). Due its well-known and recognized expertise SCF has been selected as an owner and operator for the pilot vessel to be the first in a series of 15 ice-breaking Arc7 172,600 cbm LNG carriers which will be deployed in transportation of LNG via Northern Sea Route from north of Russia to European and Asian ports.⁵

10. In 2011, SCF took over six shuttle tankers previously owned by Prisco that were on time-charters at that time to operators of the Sakhalin 1 and Sakhalin 2 projects (well known for difficult ice conditions during the winter seasons), such operators being an affiliates of Exxon and Shell. Those six vessels (amongst which is M.T. Zaliv Aniva, which is a sister ship of the Vessel) have been transferred to the management of SCF Management with majority of ex-Prisco crews preserved. Together with the acquisition of nine vessels (including the Vessel) from the Debtors, SCF became an owner of fifteen tankers previously owned and managed by Prisco, and in each case procured a smooth and efficient change of technical management which

³ A metric is a unit of mass equal to 1,000 kilograms or 2,205 pounds.

⁴ <http://worldmaritimeneeds.com/archives/29491/suezmax-tanker-vladimir-tikhonov-completes-transit-along-northern-sea-route/>

⁵ <http://www.lngworldnews.com/dsme-scf-yamal-launched/>

was combined with a take-over of the vast majority of ex-Prisco's seafarers and key shore personnel.

11. In the present case SCF and SCF Management have prepared a detailed Management of Change Plan for the take-over of vessels, including the Vessel, previously managed by Prisco, which includes employing a majority of ex-Prisco crews and the retention of selected ex-Prisco shore staff. This will ensure a seamless transition to our ownership and management without any disruption to the vessels operations. The vessels, including the Vessel, will be crewed by a mixture of ex-Prisco seafarers and SCF seafarers to ensure that the TCP Matrix / OCIMF Matrix (as defined in the Charter) is complied with, as well as familiarity with our integrated SMS and IT systems in use. Further, SCF superintendents will sail with the Vessel for the first voyage following the transfer of management to provide appropriate training.

12. In addition to myself, the Fleet Manager, Evgeny Chubenko, is also a former Prisco employee who was involved in Tesoro chartered tanker operations in Prisco's office from 2010 till 2014.

13. As part of the transition of the technical manager position for the Vessel, SCF Management has employed from Prisco: Technical Superintendent Andrey Sobolev (who was responsible for the vessels purchased from the Debtors since delivery) and Grant Brewster, former Safety and Quality Manager with nine years of Prisco office experience.

14. SCF Management determined that a change in the technical management of the acquired fleet would be necessary when it visited Prisco's office in mid-July to verify Prisco's capabilities to continue management of the acquired fleet, including the Vessel. During this verification SCF became aware from the last three years of MOC visit records that Prisco's SMS was not updated in-line with Industry Best Practices. Further, SCF has been advised that as a

result of the liquidation of the Debtors' businesses, Prisco will end up operating as a manager for a single other ship, which respectively provoked the concerns about its ability to continue as a going concern and maintain its SMS at a level required by first class industry standards. This doubt was confirmed by the Debtors' statements in their response to the Objection that Prisco intends and expects to be ceasing its operations in October 2016.

15. On that basis, we as new owners of the ships and whose moto is "Safety Comes First" made a decision to retain SCF Management as technical manager rather than continue with Prisco since there was no assurance about its capability to continue to provide technical management services satisfying the SCF's standards and safety requirements.

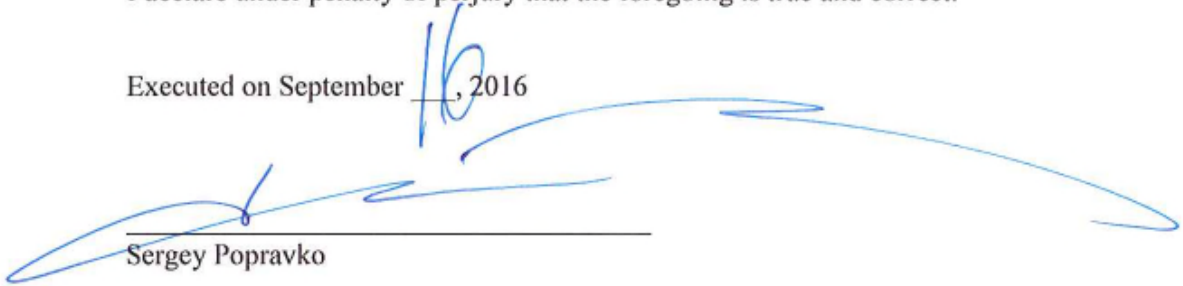
16. Based on foregoing and other information provided previously to Tesoro, we intend to ensure Tesoro that we will do our utmost to avoid any delays or gaps in the Vessel's operation connected with the transfer of management.

17. While Tesoro's assertion that the change in technical management would negate the existing MOC approvals and would require all new approvals by at least five of the MOCs is correct, Tesoro's assertion that this would require at least 90 days to obtain is not. MOC approvals can be reinstated without waiting 90 days when the Vessel passes SIRE ("Ship Inspection Report Exchange") inspection at her first discharge after the change of technical manager has occurred. Only one SIRE inspection is required for MOC approval. SCF plans an SIRE inspection by STATOIL at the end of the Vessel's first voyage. If SIRE inspection is passed, then the Vessel will be deemed accepted by all MOCs (other than Chevron, which is currently requiring a 90 day time frame after the change of management to accept the vessel), which is a sufficient number of MOCs to satisfy Charter Rider 9.

18. With respect to Tesoro's insistence that the Charter requires its consent to any change in the entity retained as technical manager, it is inconsistent with industry standards with respect to standard vessels such as the Vessel. While it is standard in the industry for a vessel to have a technical manager as a practical matter, other than long term charters or charters for specially outfitted vessels outfitted for a specific purpose, it is not typical for a charterer to have rights to dictate the identity of the technical manager. Moreover, it is not a legal requirement for the Vessel to have a technical manager, but rather a practical mechanism by which vessel owners and operators satisfy safety and insurance requirements consistent with international conventions, including ISM code requirements. Employing a technical manger enables the vessel owners and operators to concentrate and/or outsource these functions with one entity.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on September 16, 2016



Sergey Popravko